



November 29, 2019

Honorable Mayor and City Council
City of Pine City
315 Main St S, Ste 100
Pine City, Minnesota 55063

The following is the proposed 2020 final budget based on City Administrator and Department Head recommendations. Staff have made revisions based upon input received from the Mayor and City Council during the 2020 budget workshop sessions.

Levy Summary

The primary variation between the 2019 levy and the 2020 levy is attributable to the General Fund operating budget. The current proposed 2020 budget includes additional expenditures being spent for a contribution to the Pine City Youth Hockey organization for Rink Maintenance in the amount of \$12,500, increases in the Recreational/Educational & Social Programming category by \$9,000 for the Pine City Area History Association and the American Legion, the addition of a parks and recreation supervisor position with estimated salary and benefits of \$74,000, and anticipated increases in Building Official permitting and plan review costs (offset by increases in General Fund Revenue). A reduction in the Capital Improvement Fund to \$148,992 from \$200,000 had a positive effect on the overall levy. This Capital Improvement Fund reduction is due to the offset use of unrestricted fund balance Fund 306 - 2008B bond issuance fund.

The City's proposed overall tax rate will increase over the prior year by .34% under the current proposed budget. This is largely due to the aforementioned additions to the General Fund operating budget, increases to both the HRA and EDA levy with an offset reduction in the Capital Improvement Fund levy for 2020.

The 2020 budget proposal, based on preliminary budget and levy figures as shown below, recommends setting a city wide levy at \$1,561,352 (up from \$1,501,681) with a resulting estimated tax rate of 64.77%. As mentioned previously the 2020 capital levy is tentatively \$51,008 under the prior year due to an offset reduction from unrestricted fund balance in 2008B fund 306; the Debt Service levy is the amount scheduled for collection in 2020 per the bond documents. Based on the proposed 2020 budget and levy, as presented, the General fund reserves are anticipated to be unchanged. The summary of the 2019 and 2020 levies is as follows:

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	2019 Budget	2020 Proposed Budget	Increase (Decrease)	% Change
General Fund	\$ 799,200	\$ 874,743	\$ 75,543	9.45%
Capital Improvement Fund	200,000	148,992	(51,008)	-25.50%
Total General Government	999,200	1,023,735	24,535	2.46%
Debt Service				
JOBZ Nonexempt	426,590	440,860	14,270	3.35%
Total Debt Service Levy	426,590	440,860	14,270	
Total City Operating Levy	1,425,790	1,464,596	38,805	2.72%
Economic Development	37,562	40,363	2,801	7.46%
Housing and Redevelopment Authority	38,329	56,393	18,064	7.46%
Total City Wide Levy	\$ 1,501,681	1,561,352	59,669	3.97%

A subdivision of the general fund levy has been identified as the 2020 EDA levy for internal tracking purposes. This EDA levy increased \$2,801 to \$40,363 based on the maximum allowable levy of 0.01813% of estimated market value of properties in the taxing district.

The HRA levy increased \$18,064 to \$56,393 based on the maximum allowable levy of 0.0185% of estimated market value (previously based on estimated taxable market value) of properties in the taxing district and was approved at the September 26, 2019 Council meeting via Resolution 19-55.

Tax Rate and Tax Capacity

The final 2019 City tax rate was 63.43% based on a net tax capacity of \$2,387,606. Tax capacity for the payable 2020 year increased \$79,867 to \$2,467,473. Based on the increase in tax capacity and the City's 2020 tax rate, the city could levy approximately an additional \$32,000 while still maintaining a tax rate of 63.43%. Summary information for the three preceding years and proposed 2019 are as follows:

City of Pine City

Property Type - Tax Capacities

	2016 Pay	2017	2017 Pay	2018	2018 Pay	2019	2019 Pay	2020	% Change
Rural	\$ 9,696	\$ 7,404	\$ 7,361	\$ 7,301					-0.82%
Residential	951,538	986,807	1,029,056	1,166,508					13.36%
Apartments	168,243	172,008	176,705	178,230					0.86%
Manufactured Home Park	14,809	14,812	15,516	15,517					0.01%
Commercial/Industrial	999,202	1,101,287	1,088,789	1,031,205					-5.29%
Seasonal	68,185	61,774	70,179	68,712					-2.09%
Total	\$ 2,211,673	\$ 2,344,092	\$ 2,387,606	\$ 2,467,473					3.35%

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Impact on Residents and Businesses

The current proposed levy of \$ 1,561,352 would result in an estimated tax rate of approximately 64.77% for the 2020 payable year. At that tax rate, the estimated impact to homes and businesses in the City would be:

Property Type	Market Value	Taxable MV	2019 Actual	2020 Estimated	2020 Monthly	Monthly \$ Increase / (Decrease)	Annual \$ Increase / (Decrease)	Annual % Increase / (decrease)
Homestead Residential	\$ 126,100 *	\$ 100,300	\$ 646	\$ 650	\$ 54	\$ 0	\$ 3	0.53%
Homestead Residential	150,000	126,300	814	818	68	\$ 0	\$ 4	0.53%
Non-Homestead Residential	150,000 **	150,000	966	972	81	\$ 0	\$ 5	0.53%
Non-Homestead Residential	500,000 ***	500,000	4,832	4,858	405	\$ 2	\$ 26	0.53%

* Estimated Mean Home Market Value - Pine City 2018

** Non-Homestead Residential (Single Unit)

*** Non-Homestead Residential (Multi-Units)

Class 3a Properties / Commercial Industrial	Value of Business	2019 Actual	2020 Estimated	2020 Monthly	Monthly \$ Increase / (decrease)	Annual \$ Increase / (decrease)	Annual % Increase / (decrease)
	\$ 150,000	\$ 1,450	\$ 1,457	\$ 121	\$ 1	\$ 8	0.53%
	200,000	2,094	2,105	175	\$ 1	11	0.53%
	300,000	3,382	3,400	283	\$ 1	18	0.53%
	400,000	4,671	4,696	391	\$ 2	25	0.53%
	500,000	5,959	5,991	499	\$ 3	32	0.53%

The table above only accounts for the change in tax rate from 2019 to 2020 by assuming a constant property value year over year. The actual dollar increase (or decrease) will also depend on any change in a property’s valuation. Per the Pine County Assessor, Pine City’s median home value increased approximately 10% from the prior year. Assuming a 6% property value increase for a home assessed at \$150,000 for the 2019 payable year, the dollar increase in property taxes attributable to the *increase in value* would be approximately \$63. When added to the \$4 increase attributable to the *increased tax rate*, the total *dollar* increase in taxes on a home assessed at \$150,000 in 2019 (payable 2020 year; \$159,000 for the payable 2019 year) would be \$67, or approximately \$5.58 per month.

Wages, Salaries, and Benefits

Wages and salaries for 2019 have been preliminarily calculated with a 2.25% COLA increase for AFSCME office staff and regular non-union staff and a 5% COLA increase for AFSCME public works staff (subject to pending union negotiations). Health, life, and dental insurances were calculated using anticipated rates changes of 7% for health and no change for dental or life. There was no increase in PERA or FICA contribution percentages. In total, 2020 budgeted wages, salaries, and benefits amount to approximately \$1,660,136, an increase of just over \$93,000 from 2019’s budget. The primary driver of that increase is for the new parks and recreation position.

Capital Improvement Plan

Significant capital purchases anticipated for 2020 include an Ordinance Re-codification (\$25,000), a Skidsteer (\$60,000), sidewalks (\$56,000) and Safe Routes to School (\$48,720), continuation of the

sweeper payments (\$40,000) and PW Truck (\$36,445), participation in the rink warming house (\$30,000), and Parks and Trails (\$70,000).

Other capital purchases are more defined within the City’s Long-range Financial Plan which includes capital outlay for the City, water, sewer, and cemeteries. As noted above, the Capital levy is tentatively \$148,992, down from \$200,000 in 2019. The driver of this reduction is unrestricted funds availability for an offset in Fund 306 -2008B.

Debt Service

Debt service levies were calculated based on levy schedules prepared by AEM in the 2015 Debt Management Analysis and current bond documents.

Deadline for Certification

The final budget and levy must be certified by December 27th, 2020 so the final 2020 budget and levy must be adopted by no later than the December 4th Council meeting, unless a special meeting is held prior to the end of the year.

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Summary of Budgets by Fund - General Fund

STATEMENT OF REVENUES AND EXPENDITURES -
SUMMARY BUDGET - GENERAL FUND

ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2017, 2018 and UNAUDITED 2019, PERIODS AND BUDGET FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2020

	Actual		YTD Actual	Budget		Dollar	Percent
	2017	2018	Thru 6/30/19	2019	2020	Change	Change
REVENUE							
Taxes	\$ 769,624	\$ 733,415	\$ -	\$ 799,200	\$ 874,743	\$ 75,543	9%
Special assessments	\$ 1,077	\$ 1,143	\$ -	\$ 750	\$ 750	-	0%
Intergovernmental revenues	\$ 575,832	\$ 625,814	\$ -	\$ 616,440	\$ 690,087	73,647	12%
Licenses and permits	\$ 63,154	\$ 99,376	\$ 42,844	\$ 64,885	\$ 98,140	33,255	51%
Charges for services	\$ 305,986	\$ 312,712	\$ 266,369	\$ 316,354	\$ 348,791	32,437	10%
Fines and forfeitures	\$ 2,757	\$ 19,164	\$ 4,680	\$ 3,482	\$ 4,250	768	22%
Interest earnings	\$ 9,870	\$ 969	\$ -	\$ 4,925	\$ 2,463	(2,463)	-50%
Refunds and reimbursements	\$ 28,648	\$ 10,330	\$ 1,400	\$ 25,805	\$ 2,900	(22,905)	-89%
Grants from County and Other Local Gover	\$ 81,390	\$ 84,976	\$ -	\$ 81,489	\$ 57,771	(23,718)	-29%
Miscellaneous revenue	\$ 4,830	\$ 11,574	\$ 4,671	\$ 3,710	\$ 3,210	(500)	-13%
Transfer in	\$ 125,000	\$ 135,000	\$ -	\$ 145,000	\$ 135,000	(10,000)	-7%
TOTAL REVENUES	1,968,169	2,034,472	319,963	2,062,042	2,218,105	156,063	8%
EXPENDITURES							
City Council	24,108	23,280	8,761	24,603	24,389	215	-1%
Administration/Finance	356,098	348,845	251,903	350,654	352,328	(1,674)	0%
Elections	165	3,498	1,666	265	4,315	(4,050)	1528%
City Assessor	16,185	16,390	16,451	17,000	17,000	-	0%
Planning	74,286	105,381	57,432	105,460	111,663	(6,203)	6%
Building Inspection	81,171	108,655	68,333	111,178	139,151	(27,973)	25%
Health Inspection	-	-	-	212	212	-	0%
Legal	11,000	11,000	5,500	11,000	11,000	-	0%
Police Protection	168,813	185,712	131,243	194,983	204,729	(9,746)	5%
Fire Protection	329,949	440,729	204,178	434,457	431,882	2,575	-1%
Street Department	442,923	392,207	207,081	583,280	597,718	(14,438)	2%
Capital Outlay	-	41	-	-	-	-	N/A
Library	26,892	26,652	14,709	29,500	29,500	-	0%
Parks and Playgrounds	59,406	63,380	34,677	70,342	147,007	(76,665)	109%
Swimming beach	15,952	64,009	14,444	54,755	60,572	(5,817)	11%
Recreation/Education/Social	42,153	29,929	24,280	28,930	38,430	(9,500)	33%
Miscellaneous expense	(580)	-	-	-	-	-	N/A
Softball Fields	11,301	16,088	1,773	23,500	21,750	1,750	-7%
Skating Rink/Warming House	1,105	10,562	13,687	11,250	26,459	(15,209)	135%
Transfer out	15,927	20,000	-	-	-	-	0%
TOTAL EXPENDITURES	1,676,853	1,866,357	1,056,117	2,051,369	2,218,104	(166,735)	8%
NET REVENUE OVER (UNDER) EXPENSE	\$ 291,316	\$ 168,116	\$ (736,155)	\$ 10,672	\$ 0		

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Summary of Budget by Fund - Capital Improvement Fund

STATEMENT OF REVENUES AND EXPENDITURES -
SUMMARY BUDGET - CAPITAL FUND
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2017, 2018 and UNAUDITED 2019, PERIODS AND BUDGET
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2020

	Actual		Budget		Percent
	2017	2018	2019	2020	Change
REVENUES					
Taxes	\$ 380,000	\$ 223,500	\$ 200,000	\$ 148,992	-26%
Interest earnings	\$ 5,957	\$ 4,340	\$ 5,800	\$ 5,800	0%
Refunds and reimbursements	\$ 7,739	\$ -	\$ -	\$ -	N/A
Miscellaneous revenue	\$ 51,679	\$ 51,274	\$ 127,457	\$ 49,459	-61%
Transfer in	\$ 44,109	\$ 80,000	\$ 35,000	\$ 86,008	146%
TOTAL REVENUES	489,484	359,114	368,257	290,259	-21%
EXPENSES					
Fire Improvement	\$ -	\$ -	\$ -	\$ -	N/A
Fire Equipment	\$ -	\$ 25,000	\$ 40,560	\$ 91,174	125%
Park Improvement	\$ -	\$ 5,000	\$ 106,672	\$ 125,624	18%
Administration Improvement	\$ 28,851	\$ 34,600	\$ 57,000	\$ 32,960	-42%
General Government	\$ -	\$ 2,931	\$ 98,720	\$ -	-100%
Street Improvement	\$ 42,572	\$ 42,585	\$ 60,608	\$ 104,720	73%
Street Equipment	\$ 149,574	\$ 39,553	\$ 80,533	\$ 151,445	88%
Miscellaneous expense	\$ 1,500	\$ -	\$ 24,960	\$ -	-100%
TOTAL EXPENSES	222,497	149,669	469,053	505,923	8%
CHANGE IN NET POSITION	\$ 8,705	\$ 329,000	\$(100,796)	\$(215,664)	100%

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Summary of Budgets by Fund - Liquor Fund

STATEMENT OF REVENUES AND EXPENDITURES -
SUMMARY BUDGET - LIQUOR FUND
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2017, 2018 and UNAUDITED 2019, PERIODS AND BUDGET FOR THE YEARS
ENDED DECEMBER 31, 2019 AND 2020

	Actual		YTD Actual Thru 6/30/19	Budget		Percent Change
	2017	2018		2019	2020	
LIQUOR STORE						
OPERATING REVENUES						
Charges for services	\$ 1,900,793	\$ 1,925,816	\$ -	\$ 2,068,337	\$ 2,068,562	0%
Cost of sales	\$(1,360,249)	\$(1,414,433)	\$ (662,410)	\$(1,488,236)	\$(1,488,236)	0%
Total Operating Income	540,544	511,383	(662,410)	580,101	580,326	
OPERATING EXPENSES						
Operations and maintenance	\$ 318,586	\$ 338,020	\$ 168,264	\$ 376,129	\$ 393,295	5%
Depreciation	\$ 7,548	\$ 11,480	\$ -	\$ 11,640	\$ 11,640	0%
Total Operating Expenses	326,134	349,499	168,264	387,769	404,935	4%
OPERATING INCOME	214,410	161,884	(830,675)	192,332	175,391	-9%
NON-OPERATING REVENUES (EXPENSES)						
Interest earnings	\$ 1,729	\$ 2,296	\$ -	\$ 1,300	\$ 1,300	0%
Refunds and reimbursements	\$ 1,578	\$ 3,986	\$ -	\$ 1,600	\$ 1,600	0%
Total Non-Operating Revenues (Expenses)	3,307	6,283	-	2,900	2,900	0%
INCOME BEFORE TRANSFERS	217,717	168,167	(830,675)	195,232	178,291	-9%
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	
Transfer out	\$ (125,000)	\$ (160,000)	\$ -	\$ (160,000)	\$ (160,000)	0%
CHANGE IN NET POSITION	92,717	8,167	(830,675)	35,232	18,291	N/A
BEG. NET POSITION	646,679	739,396	747,563	747,563	782,795	5%
ENDING NET POSITION	\$ 739,396	\$ 747,563	\$ (83,112)	\$ 782,795	\$ 801,086	2%

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Summary of Budgets by Fund - Water Fund

STATEMENT OF REVENUES AND EXPENDITURES -
SUMMARY BUDGET - WATER FUND

ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2017, 2018 and UNAUDITED 2019, PERIODS AND BUDGET FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2020

	Actual		YTD Actual	Budget		Percent Change
	2017	2018	Thru 6/30/19	2019	2020	
WATER						
OPERATING REVENUES						
Charges for services	\$ 1,131,042	\$ 1,101,879	\$ 151,475	\$ 1,163,835	\$ 1,171,252	1%
Rental Income	\$ 23,904	\$ 20,726	\$ 11,176	\$ 20,000	\$ 20,000	0%
Total Operating Income	1,154,946	1,122,605	162,652	1,183,835	1,191,252	
OPERATING EXPENSES						
Operations and maintenance	\$ 279,181	\$ 314,775	\$ 161,749	\$ 335,718	\$ 337,683	1%
Depreciation	\$ 197,704	\$ 197,585	\$ -	\$ 211,577	\$ 213,569	1%
Total Operating Expenses	476,886	512,360	161,749	547,295	551,252	
OPERATING INCOME	678,061	610,245	902	636,540	640,000	1%
NON-OPERATING REVENUES (EXPENSES)						
Sale of asset	\$ -	\$ -	\$ -	\$ 5,302	\$ -	-100%
Interest expense	\$ (153,628)	\$ (145,440)	\$ (82,976)	\$ (151,199)	\$ (155,661)	3%
Federal Grants	\$ -	\$ -	\$ -	\$ -	\$ -	0%
Interest earnings	\$ 15,027	\$ 10,650	\$ -	\$ 11,739	\$ 12,091	3%
Refunds and reimbursements	\$ 1,454	\$ 6	\$ -	\$ 1,490	\$ 732	0%
Total Non-Operating Revenues (Expenses)	(137,146)	(134,784)	(82,976)	(132,668)	(142,838)	8%
INCOME BEFORE TRANSFERS	540,914	475,461	(82,074)	503,872	497,162	-1%
Transfer out	\$ (29,211)	\$ (18,494)	\$ -	\$ (21,928)	\$ (11,928)	-46%
Transfer in	\$ -	\$ -	\$ -	\$ -	\$ -	
CHANGE IN NET POSITION	511,703	456,968	(82,074)	481,944	485,234	1%
BEG. NET POSITION	2,916,671	3,428,374	3,885,342	3,885,342	4,367,285	12%
ENDING NET POSITION	\$ 3,428,374	\$ 3,885,342	\$ 3,803,268	\$ 4,367,285	\$ 4,852,519	11%

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Summary of Budgets by Fund - Sewer Fund

STATEMENT OF REVENUES AND EXPENDITURES -
SUMMARY BUDGET - SEWER FUND

ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2017, 2018 and UNAUDITED 2019, PERIODS AND BUDGET FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2020

SEWER	Actual		YTD Actual	Budget		Percent Change
	2017	2018	Thru 6/30/19	2019	2020	
OPERATING REVENUES						
Charges for services	\$ 738,957	\$ 719,803	\$ 73,152	\$ 751,144	\$ 773,480	3%
OPERATING EXPENSES						
Operations and maintenance	\$ 307,451	\$ 296,265	\$ 139,126	\$ 334,252	\$ 330,657	-1%
Depreciation	\$ 107,428	\$ 122,173	\$ -	\$ 122,742	\$ 122,173	0%
Total Operating Expenses	414,878	418,438	139,126	456,994	452,830	-1%
OPERATING INCOME	324,079	301,365	(65,974)	294,151	320,649	9%
NON-OPERATING REVENUES (EXPENSES)						
Interest expense	\$ (27,728)	\$ (32,560)	\$ (23,679)	\$ (27,586)	\$ (30,144)	9%
Interest earnings	\$ 15,167	\$ 9,518	\$ -	\$ 15,501	\$ 12,342	-20%
Refunds and reimbursements	\$ 1,202	\$ 1,239	\$ -	\$ 1,429	\$ 1,221	
Total Non-Operating Revenues (Expenses)	(11,360)	(21,803)	(23,679)	(10,655)	(16,581)	56%
INCOME BEFORE TRANSFERS	312,719	279,562	(89,653)	283,495	304,068	7%
Transfer out	\$ (29,211)	\$ (32,964)	\$ -	\$ (24,003)	\$ (14,003)	-42%
Transfer in	\$ -	\$ -	\$ -	\$ -	\$ -	0%
CHANGE IN NET POSITION	283,508	246,598	(89,653)	259,492	290,065	12%
BEG. NET POSITION	5,114,213	5,397,721	5,644,319	5,644,319	5,903,811	5%
ENDING NET POSITION	\$ 5,397,721	\$ 5,644,319	\$ 5,554,666	\$ 5,903,811	\$ 6,193,876	5%

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